



## OFFICE OF INSPECTOR GENERAL

Thomas J. Dagley  
Inspector General

### MEMORANDUM

January 22, 2010

TO: Nancy Floreen, Council President  
Isiah Leggett, County Executive

FROM: Thomas J. Dagley  
Inspector General

SUBJECT: Office of Inspector General Four-Year Work Plan

The attached Montgomery County Office of Inspector General (OIG) four-year work plan for fiscal years 2010-2013 focuses on our fundamental mission to increase the efficiency and effectiveness of County programs and operations, while preventing and detecting fraud, waste, and abuse, and increasing ethical, fiscal, and legal accountability.

This work plan meets the requirements of Montgomery County Code §2-151 and conforms to standards of the Association of Inspectors General and other oversight organizations for the inspector general community. Distribution of this plan was postponed until January 2010 in order to consider the impact of fiscal years' 2010 and 2011 budget reductions by County leaders on the OIG and County operations overall.

To develop this work plan, we relied on the participation of key stakeholders, including County employees and contractors, community organizations, and individual residents. In addition, we considered the measurable performance results for the work plan covering fiscal years 2006 through 2009. These results are summarized in Appendix A of the annual report for fiscal year 2009 which can be found at [www.montgomerycountymd.gov/ig](http://www.montgomerycountymd.gov/ig). As we monitor our performance results for fiscal year 2010 and consider the County's changing economic climate, we may find it necessary to modify the action plans in this work plan. In this regard, please consider statements in the "Linking Strategic Work Plans with Budgets" section on page 7 of this work plan regarding County resources that may be needed to conduct meaningful fraud prevention, detection, and investigation work for federal stimulus package dollars received by Montgomery County during the fiscal years 2010 through 2013.

We will continue our efforts to strengthen professional relationships with key stakeholders and coordinate our work with the audit, inspector general, and law enforcement communities. We would like to acknowledge the invaluable assistance provided to this Office by the County Council, Executive management, and leaders of the County's independent organizations with whom we work.

cc: Council Members  
Council Staff Director



## **Office of Inspector General Four-Year Work Plan Fiscal Years 2010-2013**

### **The Planning Process**

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#### **Major Challenges Facing Montgomery County**

Throughout the planning process of this four-year work plan, Montgomery County leaders faced the significant fiscal challenge of providing needed government services to its residents during an economic recession. As of December 31, 2009, all Council-funded organizations including the Office of Inspector General (OIG) had faced significant budget reduction targets for fiscal years 2010 and 2011. These budget reductions and their impact on operating programs and capital projects funded by the Council were factors in finalizing this four-year work plan.

Although the OIG work plan published in August 2005 for fiscal years 2006-2009 was not modified throughout its implementation, it is reasonable to assume that this plan covering fiscal years 2010-2013 may need to be modified in the first half of calendar year 2011 after reassessing the County's budget situation.

#### **Other Challenges**

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In our fiscal year 2009 annual report (accessible at [www.montgomerycountymd.gov/ig](http://www.montgomerycountymd.gov/ig)), the following generally accepted principles for inspectors general were identified to emphasize the importance of the independence of the Inspector General position and other factors that impact the effectiveness of Montgomery County's OIG:

- inspectors general should be appointed without regard to political affiliation;
- bonuses or compensation increases should not be accepted by inspectors general from their organization to discourage organizations from using monetary incentives to pressure inspectors general;
- inspectors general compensation should be comparable to other senior agency officials;
- inspectors general should have access to independent legal counsel, avoiding potential conflicts of interest with agency counsels;
- all public inspectors general reports should be posted on agency websites within three working days of release;
- in the event of an Inspector General vacancy, an independent panel process should be used to recommend possible replacements; and,
- annual funding levels requested by an Inspector General and the funding level approved should be delineated, allowing interested parties to determine whether funding cuts may be used to interfere with the work of an Inspector General.

With regard to the standard of independence, according to the Association of Inspectors General, inspectors general and OIG employees involved in performing or supervising any assignment should be free from personal or external impairment to independence and should constantly maintain an independent attitude and appearance. Inspectors general are responsible for establishing and maintaining independence so that OIG opinions, conclusions, judgments, and recommendations will be

impartial and viewed by others as impartial. Personal impairment includes, for example, official, professional, personal, or financial relationships that might appear to lead the OIG to limit the extent of work, to limit disclosure, or to alter the outcome of work. Factors external to the OIG that can restrict efforts or interfere with the OIG's ability to form independent and objective opinions should be avoided, such as interference or undue influence in the selection, appointment, and employment of the Inspector General and OIG employees.

Several factors impacting the effectiveness of the Montgomery County OIG were considered during the preparation and development of this work plan and are likely to be challenges during fiscal years 2010-2013:

- Providing the Inspector General access to independent legal counsel has been a significant concern for several OIG projects. In early fiscal year 2010, the Council amended County law to provide the Inspector General with access to independent legal services.
- Working with County leadership to be able to routinely access accurate and reliable revenue, expenditure, personnel, and operational data related to Council-funded programs/activities continued to be a significant OIG challenge, as was balancing our reporting requirements with the need to protect sensitive and confidential data. Furthermore, ensuring the confidentiality of OIG requests to management for information needed to conduct audits, reviews, and investigations periodically hampered the effectiveness of the OIG. At the same time, however, a barrier was addressed in May 2009 by Maryland State government leaders when Article 29 of State law regarding the Washington Suburban Sanitary Commission (WSSC) was amended, authorizing the County Council or its duly authorized agents to audit and examine the books and records of the WSSC. The amendment, effective October 1, 2009, clarifies the authority of the OIG to access WSSC information during the work plan period.
- In fiscal year 2009 and continuing into fiscal year 2010, the Inspector General continued to work with County leaders to increase the independence and effectiveness of the OIG by making compensation for its employees equitable when compared to other County officials. This work was controversial at times; however, it led to the resolution of a pay disparity for one OIG employee in October 2009, incident to the modification of Office of Human Resources policy.

## **Plan Development**

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The OIG goals and strategies that were developed in 2005 have been updated in the Matrix below. This four-year work plan was developed by concentrating on key provisions for an effective County governance system — accountability for management actions; fiscal accountability; transparency in operations; and independence in internal and external audits. Our planning process comprised of three main steps: (1) identifying a universe of Council-funded programs and activities; (2) conducting risk assessment of programs, activities, and related management practices; and, (3) developing a plan to conduct appropriate audits, reviews, and investigations. The universe consisted primarily of programs and activities in the Council's approved fiscal year 2010 operating and capital budgets.

To determine which projects would be included in this plan, we used standardized, and in some cases, function-specific risk factors to determine those projects having a higher risk. Standard risk factors include: materiality; impact on operations; visibility and public sensitivity; public interest; prior audit/investigative attention and results; and loss potential, including fraud and other vulnerabilities.

## OIG Strategy Matrix

OFFICE OF INSPECTOR GENERAL STRATEGY MATRIX	
<b>Goals And Strategies</b>	<p>1. The OIG provides timely, accurate, and useful information that contributes to the efficiency and effectiveness of Montgomery County government and independent County agencies.</p> <p>Strategies:</p> <ul style="list-style-type: none"> <li>• Identify major management challenges facing Montgomery County</li> <li>• Strengthen professional relationships</li> </ul> <p>Conduct:</p> <ul style="list-style-type: none"> <li>• Briefings to increase the awareness and effectiveness of the OIG</li> <li>• Audits and reviews with County-wide improvement potential, that provide timely and valuable feedback to departments on sensitive and higher-risk operations, which result in reports that maximize value to County taxpayers</li> <li>• Fraud, waste, and abuse investigations to detect improper or illegal conduct and report the results to decision-makers in a timely manner</li> </ul> <p>2. The OIG maximizes resources and leverages technology in support of our mission.</p> <p>Strategies:</p> <ul style="list-style-type: none"> <li>• Manage the efficient use of limited OIG resources</li> <li>• Leverage cutting-edge technology available through, for example, the Department of Technology Services</li> </ul> <p>3. The OIG obtains and develops the human resources needed in support of our mission.</p> <p>Strategies:</p> <ul style="list-style-type: none"> <li>• Maintain an organization that attracts, develops, and retains a talented and diverse workforce</li> <li>• Implement quality assessment and recommendations by oversight organizations such as the Association of Inspectors General</li> <li>• Maintain compliance with educational/professional training requirements per inspector general community standards</li> </ul>
<b>Key Stakeholders<sup>1</sup></b>	<p>County citizens</p> <p>County Council, directors, and staff</p> <p>County Executive, Chief Administrative Officer, department directors, and division chiefs</p> <p>Senior leaders and staff of each independent County agency</p> <p>County employees</p> <p>Employee and community organization leaders</p>

The audit and review action plans that follow in Table 1 are categorized according to key success factors. Specific objectives and the methodology for audits and reviews are not included in this work plan. For many of the projects listed, this level of detail will not be finalized until the planning phase of the project is completed. The investigative plans involving the prevention and detection of fraud, waste, and abuse are also included.

<sup>1/</sup> Stakeholders are defined as those individuals or groups that are or might be affected by the OIG's actions and effectiveness. From July through September 2009, the Inspector General solicited input for this work plan from elected County officials and other senior leaders. In addition, the Inspector General received numerous suggestions from County employees, contractors, and residents after soliciting input via OIG webpage postings, emails, and other outreach efforts.

**Table 1— Key Factors and Action Plans**

Key Success Factors	Increase Efficiency and Effectiveness	Prevent and Detect Fraud, Waste, and Abuse <sup>2</sup>	Increase Ethical, Fiscal, and Legal Accountability
<p><b>Longer-Term Action Plans (FY 2012-2013)</b></p>	<p><b>Performance Audit or Review</b>  WSSC: Review the reasonableness of expenditures related to selected water and sewer construction projects and contracts</p> <p>MCG: Review the reasonableness of expenditures related to selected road or facility construction, maintenance, and other infrastructure projects and contracts</p> <p>MCG Information Technology: Assess the efficiency and effectiveness of modernizing selected information or telecommunication systems</p> <p>MCG: Review Purchasing Card Program expenditures</p> <p>All Council-funded Organizations: Determine if controls are adequate to prevent and detect duplicate vendor and other improper payments to contractors and vendors</p>	<p><b>Investigation</b>  Investigate selected complaints received by the OIG regarding fraud, waste, or abuse in County and independent agency operations</p> <p><u>Quick Response Letter</u>  Issue letters to senior leaders to resolve issues without using a formal audit, review or investigative report</p>	<p><b>Performance Audit or Review</b>  MCG: Review the adequacy of administrative and legal protection for whistleblowers</p> <p>All Council-funded Organizations: Assess the effectiveness of management controls regarding expenditures for health care services</p> <p>All Council-funded Organizations: Use computer-assisted financial auditing tools to review the appropriateness of payroll and other distributions to employees and/or retirees</p>

<sup>2/</sup> The types of information we may act upon include the following: Alleged violation of law, rules, or regulations; employee misconduct; mismanagement or waste of County funds; abuse of authority; improper use of County resources; conflict of interest; bribes or kickbacks; fraudulent travel claims; contract or procurement fraud; health care fraud; workers' compensation fraud. The types of information we do not act upon include: day-to-day management decisions; EEO complaints; employee benefits; and compensation.

**Table 1— Key Factors and Action Plans (continued)**

Key Success Factors	Increase Efficiency and Effectiveness	Prevent and Detect Fraud, Waste, and Abuse	Increase Ethical, Fiscal, and Legal Accountability
<p><b>Short-Term Action Plans (FY 2010-2011)</b></p>	<p><u>Performance Audit or Review</u> MCG IT Project Controls: The OIG is currently evaluating December 2009 changes to the Statement(s) of Work for the County Government's Enterprise Resource Planning (ERP) Project</p> <p>MCG and WSSC Procurement Practices: Ongoing review of expenditures related to selected County Government and WSSC contracts: The OIG plans to release a report on one phase of this review in February 2010</p> <p>MCG Procurement Practices: Review of selected Department of Health and Human Services contracts for housing and other services</p> <p>MCG: Review the use of best practices for preserving accountability and transparency for American Recovery and Reinvestment Act funds and other stimulus-related funds approved by the Council for County education, transportation, housing and other projects</p> <p>All Council-funded Organizations: Review the appropriateness and/or cost of selected land development projects and real estate purchases</p>	<p><u>Investigation</u> Investigate selected complaints received by the OIG regarding fraud, waste, or abuse in County and independent agency operations</p> <p>Promote the OIG fraud hotline to all employees and contractors by partnering with County leadership</p> <p>Investigate potentially fraudulent payments to contractors and grantees reported to the OIG</p> <p><u>Quick Response Letter</u> Issue letters to senior leaders to resolve issues without using a formal audit, review, or investigative report</p>	<p><u>Performance Audit or Review</u> Payments to MCG Volunteer Fire &amp; Rescue Association (MCVFRA): The OIG plans to release a report on this review in February 2010</p> <p>MCG Disability Retirement Program: Conduct follow-up work on corrective actions recommended in the September 2008 Interim Report</p> <p>MCG Tuition Assistance Program: Release an interim report on this review in February 2010</p> <p>MCG Fire and Rescue Services Vehicle Accident and Related Investigations: Additional field work and reporting on this review will take place incident to the resolution of Civil Complaint No. 319082-V and related matters</p> <p>MCG and Ethics Commission: Review the effectiveness of ethics laws, management controls and investigation practices used to prevent and detect fraud, waste, and abuse</p> <p>Council Audit Committee: Review governance best practices regarding risk assessment, internal auditing, anti-fraud initiatives, and the prevention of ethical breaches</p> <p><u>Stakeholder requirements</u> Establish an OIG citizens' advisory group to ensure adequate input on accountability issues</p>
<p><b>Communication of Results</b></p>	<p>Reports with findings, recommendations, and management response to the County Council and Executive, and/or leader of affected department or independent agency</p>	<p>Investigative reports to the Chief Administrative Officer (or designee), other appropriate leaders, and/or prosecutors, subject to State and County public information laws</p>	<p>Reports with findings, recommendations, and management response to the County Council and Executive, and/or leader of affected department or independent agency</p>

## Linking Strategic Work Plans with Budgets

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Montgomery County Code §2-151 requires the Inspector General to submit to the County Council and Executive, within four months of confirmation, a projected budget for the OIG. Throughout the first half of fiscal year 2010, the Inspector General worked with the Director of Council Staff and representatives of the Executive's Office of Management and Budget to address OIG budget reduction targets as part of a County-wide initiative to address fiscal years' 2010 and 2011 budget deficits.<sup>3</sup>

A key to OIG effectiveness is to link the strategic work plan with the budget. To address this issue, the estimated direct (audit and investigative) and support work years needed to accomplish the short- and longer-term action plans in Table 1 are described below. These figures do not include operating funds needed to hire subject matter experts as contractors for certain audits and reviews; this issue was addressed, in part, in the Inspector General's December 11, 2009 transmittal memorandum to the Council President and Director of the Office of Management and Budget for the OIG's fiscal year 2011 budget.

In addition, the work year figures below do not address an emerging concern of the OIG and several key stakeholders regarding fraud prevention, detection, and investigation efforts needed to protect federal stimulus package funds approved for Montgomery County programs and activities.<sup>4</sup>

We recommend that the Council's Management and Fiscal Policy/Audit Committee address OIG resource requirements for subject matter experts and the County's overall anti-fraud efforts during the Council's fiscal year 2011 budget deliberations which begin in March 2010.

<b>Key Success Factors</b> <b>Work Years</b>	<b>Increase Efficiency And Effectiveness</b>	<b>Prevent and Detect Fraud, Waste, and Abuse</b>	<b>Increase Ethical, Fiscal, and Legal Accountability</b>	<b>Support</b>	<b>Total Work Years</b>
FY 2010	1.0	1.0	1.0	.5	3.5
FY 2011	1.0	1.0	1.0	.75	3.75
FY 2012	1.5	1.0	1.5	1.0	5.0
FY 2013	1.5	1.0	1.5	1.0	5.0

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<sup>3</sup> As of January 2010, approved funding for the OIG for fiscal year 2010 was \$601,840. A proposed OIG budget ceiling of \$584,960 for fiscal year 2011 was established by the Executive's Office of Management and Budget as of January 2010; it will not be acted upon by the Council before March 2010. These OIG budget figures represent approximately one one-hundredth percent of the total operating budget approved by the County Council for fiscal year 2010. Authorized filled positions as of January 2010: Inspector General; Deputy Inspector General; Assistant Inspector General; and Office Manager (part-time). A vacant unfunded Assistant Inspector General position also existed. By comparison, authorized OIG work years when the August 2005 Four-Year Work Plan was issued totaled 4.6.

<sup>4</sup> An opinion article in the January 13, 2010 edition of *The Wall Street Journal* entitled, "How to Guard Against Stimulus Fraud" by a former assistant Manhattan district attorney recommended that state and local governments should set aside no more than 2 percent of federal stimulus money received for meaningful fraud prevention, detection, and investigation efforts. For example, if a county is to receive \$100 million, \$2 million should be set aside for anti-fraud efforts.

## Performance Measures and Targets

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Consistent with the practice over the past four years to quantify the value of OIG audits, reviews, and investigations, some of the OIG's key performance measures and targets for fiscal years 2010-2013 are listed below. Performance results for these or other measures for fiscal years 2006-2009 are summarized in the OIG's fiscal year 2009 annual report.

### Fiscal Years' 2010-2013 Performance Measures and Targets

Outcomes/Results:	2010	2011	2012	2013
Percentage of audit/review recommendations accepted <sup>5</sup>	75	75	75	75
County funds recovered or put to different use as the result of audit/review findings or investigations	\$1 million	\$2 million	\$2 million	\$2 million
Questioned costs or potential savings	\$1 million	\$1 million	\$1 million	\$1 million
Resolutions to fraud, waste, and abuse matters reported to management by the OIG	5	8	8	8
<b>Workload/Outputs:</b>				
Joint investigations with prosecutors	4	3	3	3
Audits/formal reviews reported	5	4	4	4

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<sup>5</sup> This includes recommendations or other actions carried out by the Council as a result of formal reports issued by the OIG.



**Office of Inspector General Staff**  
(January 2010)

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